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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

MASTER OF MANAGEMENT AND LEADERSHIP/MASTERS IN BUSINESS ADMINISTRATION

MBA 511: STRATEGIC MANAGEMENT

DATE: 26TH JULY 2017

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE is compulsory.**
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Based in Beaverton, Oregon, Nike is the world's largest designer, marketer, and distributor of athletic footwear and athletic apparel. The company also designs, markets, and distributes sports-related apparel, equipment, and accessories. Led by the company's flagship Nike brand footwear, as well as Nike Golf, the company also owns a number of subsidiaries, such as Cole Haan, Converse, Hurley International, and Umbro Ltd. Nike was founded in 1964 as Blue Ribbon Sports by Bill Bowerman, a University of Oregon track and field coach, and Phil Knight, a talented middle-distance runner. Knight, who had recently completed an MBA at Stanford University, had written a paper where he proposed that quality running shoes could be manufactured in Japan that would compete with the more established German brands. Knight originally sold their shoes out of the trunk of his green Plymouth Valiant at track meets, and the company opened its first store in Santa Monica, California, in 1966. The company introduced its Nike brand of shoes in 1972, just in time for the U.S.

Track & Field trials, which were held in Eugene, Oregon, that year. The Nike name, which took its name from the Greek goddess of victory, had its famous "swoosh" logo designed by Carolyn Davidson, a graphic design student at Portland State University. The company officially renamed itself Nike in 1978. By 1980, the company had reached a 50 percent market share in the U.S. athletic shoe market and had become a publicly traded company. Missteps in the 1980s, particularly miscalculating the aerobics boom of that time period, found Nike trailing the rest of the athletic footwear industry. Changes at the company by Phil Knight, particularly the introduction of a Michael Jordan–endorsed basketball shoe in 1985, propelled Nike back to the top of the industry by 1988. The company also began to diversify at that time with the purchase of Cole Haan shoes, a casual and dress shoe company. From this point, Nike would go on to acquire other brands, such as Bauer (acquired 1995), Hurley (acquired 2002), Converse (acquired 2003), Starter (acquired 2004, divested 2007), and eventually Umbro Ltd. in 2008.

Vision, Mission, and Strategic Goals

The vision of Nike is to "bring inspiration and innovation to every athlete in the world." Bill Bowerman, the co-founder, defined an athlete by saying, "If you have a body, you are an athlete." Bowerman saw endless possibilities for human potential in sports. Nike's mission is to carry on Bowerman's legacy of innovative thinking, develop products that help athletes of every level of ability reach their full potential, and to create business opportunities that set Nike apart from the competition and provide value for their shareholders. The company has set a strategic goal of $23 billion in revenues by the end of fiscal 2011. Commenting on this ambitious target, Parker states, "When I stepped into the CEO role . . . the leadership team reaffirmed a simple concept that I knew was true from my nearly 30 years of experience here—Nike is a growth company." Parker saw the company's strategy as based on three principles: pursuing the greatest growth opportunities, leveraging Nike resources and capabilities, and serving customers with premium products and experiences.

Worldwide, Nike is the leader in athletic footwear, with an estimated 37 percent of worldwide sales. Adidas The number-two competitor in athletic footwear is Adidas, with an estimated 22 percent of worldwide sales. Adidas, based in Herzogenaurach, Germany, was founded in 1924 by the brothers Adolf and Rudolf Dassler. The company took its name from "Adi," a nickname for Adolf, and "Das" from Dassler. The foundation of what would become the Adidas group began with the equipping of several athletes for the 1928 Olympics, and it was cemented with Jesse Owen's quadruple gold medal performance at the 1936 Summer Olympics wearing Adidas footwear. Today, the Adidas group is a world-class provider of athletic footwear, apparel, and sporting equipment. Their mission is "to be the leading sports brand in the world." Led by their flagship Adidas brand, the company posted 2008 revenues of 10.8 billion euros, a 4.9 percent improvement over its 2007 results.

Puma

Puma is the distant number-three competitor in the global market for athletic footwear.

Puma develops and markets a broad range of athletic and lifestyle articles, including footwear, apparel, and accessories. Its 2008 sales were 2.5 billion euros. Selling products under the Puma and Tretorn brands, the company employs more than 10,000 employees and distributes its products in over 130 countries around the world. The company was founded in 1948 when Rudolf "Rudi" Dassler split his business from his brother Adolf. Rudi moved his business to the other side of the Aurach River from the Adidas company in Herzogenaurach, Germany. Puma has the long-term mission of becoming the most desirable sport lifestyle company. Not one to be outdone by its larger competitors, Puma made a splash in 2008 at the Beijing Olympics. Before a stunned Olympic crowd, and wearing gold Puma Theseus II spikes, Usain Bolt broke world records in the men's 100-meter dash, 200-meter dash, and the 4 × 100 meter relay.

Other Competitors

The athletic footwear industry contains numerous smaller competitors worldwide, such as K-Swiss, Inc. in the United States and Li Ling Shoes in China. Athletic footwear companies also compete with other footwear companies for sales because consumers often wear athletic footwear for leisure and fashion. Companies that competed in leisure and fashion footwear included Crocs, Inc., Deckers Outdoor Group, Skechers USA Inc., and Timberland Company.

Global Issues

The footwear industry is global in scale and scope, with several large, well-capitalized

firms competing worldwide for customers and market share, including firms like Nike, Adidas, and Puma. These companies have been conducting business worldwide on the basis of global competitive advantage, rather than local, by sourcing production to countries that provided a cost advantage, conducting research and development (R&D) from their home location, and then marketing and selling their products in numerous countries over sometimes as many as four different continents. These multinational strategies allow the largest competitors to cope with slowing demand in their core markets, such as the United States, by shifting their emphasis to countries and regions that have higher rates of sales growth, such as Brazil, Eastern Europe, India, and China. Companies like Adidas and Nike have moved aggressively into these areas to capitalize on the rapid pace of expansion in these emerging markets. In addition, companies have diversified their holdings into sports apparel and equipment in order to complement their core footwear offerings, expand revenues, and "deepen" their relationships with customers.

Technological Changes The Internet allows footwear companies to pursue a direct to consumer sales channel. Sales of apparel, accessories, and footwear on the Internet has been growing at a doubledigit pace, considerably faster than more traditional sales models such as retail stores. Forrester Research predicts that Internet sales of apparel, accessories, and footwear could reach 18 percent of category sales by 2012, up from 6.5 percent of all sales in 2006. Companies that added a Web-based sales strategy are able to customize footwear and other merchandise directly to the customer's needs and taste, which enables companies to achieve considerably better pricing as well as "deepening" the emotional bond consumers have with the brand.

The Future: Nike needs a clear three-year strategic plan to succeed in the future.

Required:

a) Understanding the organization business environment is very vital. Explain Michael Porter five forces model and how Nike ltd can use it to scan the industry environment **(10 marks)**

b) Explain some of keys that Nike ltd will need to follow to prepare the three-year strategic plan **(10 marks)**

c) Carry out a SWOT analysis of Nike ltd. **(10 marks)**

QUESTION TWO

a) Explain value chain analysis using suitable examples **(10marks)**

b) In modern organization are realized strategies planned or emergent **(5marks)**

QUESTION THREE

a) **Explain the applicability of balance score card using appropriate examples** **(10marks)**

b) Is strategy analysis and choice paramount in strategy management process **(5marks)**

QUESTION FOUR

a) Corporate governance issues are derailing growth of organization in Africa. Discuss **(10marks)**

b) Strategy has to be properly aligned with other variables in the organization for successful implementation. Explain **(5marks)**